



MISSOURI HIGHER EDUCATION EQUITY
BRIDGES TO SUCCESS

WHITE PAPER:

CARES ACT AND ACCESS TO FINANCIAL AID



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CURRENT STATUS

Declines in enrollment and depleted operating budgets have heightened uncertainty at higher education institutions across all sectors. As colleges and universities push through the beginning of 2021, students, advocates, and policy analysts push for legislation that significantly alleviates the economic disparities preventing students from achieving their educational dreams.

In addition to the nearly \$14 billion dollars allocated to higher education institutions as part of the March 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act signed by President Donald Trump, [the Coronavirus Response and Relief Supplemental Appropriations Act¹](#), enacted in December 2020, provided \$22.7 billion for colleges and universities along with distinctive changes to the federal financial aid process. To make it easier for students to apply for federal aid, the new relief package simplifies the Free Application for Federal Student Aid (FAFSA) from 108 to 36 questions, allows more justice-involved individuals to be eligible for Pell Grants, and includes an additional \$1 billion for spending on medical research.

The expansion of financial aid eligibility, along with the current increase in Pell Grant levels, will make it easier for lower-income students to receive the maximum amount of federal student aid, according to a Dec. 22, 2020, [article from Inside Higher Ed.²](#) The article goes on to state that both then ranking members on the U.S. Senate Committee on Health, Education, Labor, & Pensions, former Sen. Lamar Alexander and Sen. Patty Murray, estimated the changes could mean an additional 555,000 students will qualify for Pell Grants each year and “1.7 million more students will qualify to receive the maximum Pell award each year.” Furthermore, the federal government is forgiving about \$1.3 billion in capital loans owed to Historically Black Colleges and Universities (HBCU).

However, it is still unclear if the additional funding and changes to eligibility requirements will be enough to offset the damage done by a sluggish economy that has depleted states’ revenues, which in turn has caused many institutions to implement hiring freezes, pay cuts, or furloughs for faculty and full-time staff, and forced schools to dramatically reduce administrative staff positions. Campus closures during the 2020 spring semester also resulted in unexpected costs, from which colleges and universities are still recovering, as they moved toward online learning, according to the [National Conference of State Legislators.³](#) Costs included refunds issued to students for room and board, increased cleaning operations, and technology hardware and software assistance for online students. “The money provided in this bill will provide some limited relief, which is welcome news to struggling students and institutions,” American Council on Education (ACE) President, Ted Mitchell, said [in a statement](#) about the additional funding detailed in the Coronavirus Response and Relief Supplemental Appropriations Act.⁴ “But it is not going to be nearly enough in the long run or even in the medium term. The financial impact of the pandemic and its economic fallout will be enormous, with more than half a million job losses on campus already.”

Although President Joe Biden has assured the public that more federal government assistance will be forthcoming, the role of working with students and meeting their personal needs, such as food, housing, and technology insecurities, is largely left to institutions, state legislators, or local advocacy organizations. Across the country, there is a growing recognition that institutions must innovate to keep students engaged and rebuild trust in postsecondary education. By utilizing CARES Act funds and diversifying declining operating budgets, higher education institutions are offering more direct and robust wraparound services to assist with issues impacting academic performance. For example, Kansas City Art Institute created an emergency grant to help students who had lost their jobs or had their work hours cut back due to the pandemic.⁵ Metropolitan Community College developed a career services strategy to assist students both in person and virtually following the reopening of its campuses. Missouri State University provided hotspots to students to complete their spring semester remotely due to the campus shutting down.⁶ Continued efforts to engage and provide additional resources will help students complete their degrees and curb the trend of decreasing enrollment at both four-year and two-year institutions.

¹ Burt, Chris “Congress approves \$22.7 billion in relief for higher education,” universitybusiness.com: Dec. 22, 2020

² Murakami, Kery “Congressional Deal Would Give Higher Ed \$23B,” Inside Higher Ed: Dec. 22, 2020

³ Smalley, Andrew “Higher Education Responses to Coronavirus (COVID-19),” National Conference of State Legislatures: Dec. 28, 2020

⁴ Murakami, Kery “Congressional Deal Would Give Higher Ed \$23B,” Inside Higher Ed: Dec. 22, 2020

⁵ Timson, Joe, Personal interview for Missouri Department of Higher Education & Workforce Development After Action Report: Aug. 4, 2020

⁶ Smalley, Andrew “Higher Education Responses to Coronavirus (COVID-19),” National Conference of State Legislatures: Dec. 28, 2020

CARES Act Funding Disparities

According to a study by the [Center for American Progress](#)⁷, two-year public colleges received substantially less CARES Act funding due to how Congress structured the distribution formula. According to the study, funding was based on the number of full-time equivalent (FTE) students colleges enroll, which worked against institutions with large numbers of part-time students. As a result, while community colleges educate almost 40 percent of the nation's college students, they only received about 27 percent of the CARES Act funds. "Had the package based funding on the total number of students, public colleges of two years or fewer would have received 39 percent of the funding," according to a [May 12, 2020, Inside Higher Ed article](#).⁸

Conversely, when comparing aid package amounts between public community colleges and for-profit institutions, an [analysis done by NBC News](#)⁹ found that "for-profit schools got proportionally more money from the aid package than the nation's community colleges, which serve the majority of the country's low-income students, often at much lower cost." Therefore, nearly 9 percent of the first round of coronavirus relief package money for higher education went to for-profit schools, according to NBC News, despite only serving 5.4 percent of students nationally. The report also cited the CARES Act formula created by Congress as the reason for this disparity. "In an effort to funnel aid to students most in need, it put great weight on counting full-time students with Pell Grants, the federal grants aimed at low-income students. This meant for-profits did well. Those career-oriented programs tend to be more time-intensive and costly, leading more students to attend full-time and take out federal loans."

According to a report by the [Congressional Research Service](#),¹⁰ 73 percent of those who attend for-profit institutions in 2016 lived at or near the poverty line.

"We win because we serve lower income people," said [Steve Gunderson](#), president and CEO of Career Education Colleges and Universities, a trade group that represents for-profit and career colleges across the country. Both for-profit institutions and public community colleges serve similar populations and offer many of the same programs, although community colleges offer many programs at cheaper costs and have a student body where nearly 60 percent of their students are low income. However, for-profits and career education schools tend to offer more certificate-level and vocation-focused programs — many at price points comparable to public two-year institutions.

"Already, it is clear that major gaps will remain even after this necessary infusion of resources from the CARES Act," writes Jake Brymner, [State and Federal Policy Director for The Campaign for College Opportunity](#)¹⁰ — a student advocacy group based in Sacramento, California — regarding the first round of CARES Act funding. In California, there are over 2 million students enrolled in the California Community College system (CCC), about 453,000 at the California State University, and fewer than 224,000 at the University of California. "Because the 115 colleges in the CCC system serve many low-income students who do not receive a Pell Grant, they did not generate funding through the CARES Act proportional to their need."

⁷ Miller, Ben "A Better Formula for Higher Education's Federal Coronavirus Funding: Increase, Improving, and Accelerating Funding for Higher Education in the Next Stimulus Package," Center for American Progress: May11, 2020

⁸ Murakami, Kery "Community Colleges Got Disproportionally Less in CARES Act," Inside Higher Ed: May 12, 2020

⁹ Seville, Riordan Lisa, Lehen, W. Andrew "Why did the CARES Act give more money to hair schools than to community college?: The reason for the disparity is the formula Congress came up with to spend the money,": May 19, 2020

¹⁰ Brymner, Jake "California Must Further the CARES Act Relief for Community College Students," The Campaign for College Opportunity: April 29, 2020

FINDING SOLUTIONS

Debt relief and financial aid under the new administration

According to reports and interviews with incoming Biden administration advisors, the president is expected to prioritize reshaping higher education and providing student loan debt relief as a top concern in his administration. “We could see Biden wipe out a chunk of student loan debt for borrowers, but it may be less than many liberal proponents have been pushing for,” writes Kelly Anne Smith in a Nov. 8, 2020, article for [Forbes Magazine](#).¹¹ “While he doesn’t have a widespread student loan cancellation plan like other Democrats did during the presidential primaries, Biden supports forgiving at least \$10,000 in federal loans per borrower in response to the coronavirus pandemic (which notably leaves out borrowers who have private loans).”

Before the pandemic, it is estimated that student loan debt levels reached an astonishing \$1.67 trillion dollars. The dual crisis of COVID-19 and the economic downturn that followed increased the strain on student loan borrowers, many of them being low-income wage earners from communities underrepresented in higher education.

According to a [Roosevelt Institute article](#) by Anna N. Smith, research associate at the Roosevelt Institute and the Great Democracy Initiative,¹² new data collected by the organization suggests that \$75,000 in student debt cancellation for all borrowers is an appropriate level to increase household wealth, help close the racial wealth gap, and bust the nation’s struggling economy. “A broad cancellation of \$75,000 in student loans would provide complete forgiveness to almost 90 percent of Latinx households and about 80 percent of Black and white households with student debt. Cancellation policies beyond \$75,000 have similar impacts on all demographic groups, with benefits plateauing for Black and Latinx borrowers beyond this level.”

President Biden’s higher education policy ambitions include making public colleges and universities free for students from families earning less than \$125,000 per year and decreasing the employment requirements for students in the Public Service Loan Forgiveness program. His plan would be paid for, in part, by raising taxes on corporations and the wealthiest households (those who make \$400,000 or more per year).

In her *Forbes Magazine* article, Smith notes such a policy may dissuade many federal and state legislators and their constituents from supporting broad student relief packages. On the other hand, free college may present an opportunity for President Biden to work across the aisle because an educated workforce is crucial for the American economy to quickly recover from an economic downturn. “Not only is affordable higher education more critical than ever to help workers reboot their skills for the jobs that will remain after COVID-19, it is also one of the most powerful ways to deliver on the racial and economic justice priorities at the center of the president’s agenda,” writes Michelle Miller-Adams in a Feb. 4, 2021, article for [Politico](#).¹³ “The nation’s best-known free college plan is in one of its reddest states – Tennessee – where the [Tennessee Promise](#) and [Tennessee Reconnect](#) programs enable almost every resident to pursue a two-year degree or credential without tuition. A dozen other states, Republican-and-Democrat-led, have followed suit with some version of tuition-free higher ed access, demonstrating the bipartisan appeal of the idea.”

¹¹ Smith, Anne Kelly “President-Elect Joe Biden’s Plans for your Loans,” *Forbes Magazine*: Nov. 8, 2020

¹² Smith, N. Anna “Student Debt Is a Racial Equity Issue. Here’s How Mass Debt Relief Can Address It,” *Roosevelt Institute*: October 29, 2020

¹³ Adams-Miller, Michelle “If Free College is the Goal, Start with Community College” *Politico*: Feb. 4, 2021

FINDING SOLUTIONS

Fixing a broken system

Across the country, institutions and students expressed frustration at the speed of the distribution of CARES Act funding and questioned the transparency of the process. “As our nation’s higher education and student aid landscape continues to modernize, the agency [United States Department of Education] must be equipped with a talented, skilled workforce that can evolve to changing needs of students,” states a report by the [National Association of Student Financial Aid Administrators](#).¹⁴ “As those who work with students on a daily basis, financial aid administrators nationwide continue to believe there are many opportunities to improve the federal student aid system to ensure success for all stakeholders in all stages of the process.”

Restoring trust in the value of higher education is critical in the fight against the uncertainty and fear many Americans are currently experiencing. That trust begins with federal and state lawmakers as they work with student advocates and other stakeholders to reformulate a message of equitable opportunity. Those in higher education and K-12 have an opportunity to reshape and redefine access to an affordable and high-quality postsecondary credential beyond the current COVID-19 health crisis. The rapid pivot of higher education from a pre-pandemic campus to a post-pandemic campus demonstrated how much could be achieved by rethinking many of the rules and boundaries that have stymied systemic changes in the past. Higher education leaders have the opportunity to dream big and encourage students to do the same. Now is the time to respond with bold action and bold leadership.

¹⁴ “Investing in Our Future: The Top 5 Student Aid Policies Needed to Sustain and Strengthen Higher Education,” National Association Student Financial Aid Administrators: January 19, 2021.